ERNST & YOUNG

THREE-A RESOURCES BERHAD

(481559-M)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2009

Ernst & Young
AF : 0039

481559-M

Three-A Resources Berhad
(Incorporated in Malaysia)

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Three-A Resources Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

Results

	Group RM	Company RM
Net profit for the year	18,039,278	4,199,171

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Company since 31 December 2008 were as follows:

	RM
In respect of the financial year ended 31 December 2008:	
1 sen tax exempt interim dividend on 308,000,019 ordinary shares, declared on 5 February 2009 and paid on 11 March 2009.	3,080,000
In respect of the financial year ended 31 December 2009:	
1.6 sen interim dividend less 25% taxation, on 369,600,019 ordinary shares, declared on 17 December 2009 and paid on 19 January 2010.	4,435,200

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Directors

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Nor Bin Abdul Wahid	
Fang Chew Ham	
Foong Chiew Fatt	
Fong Chu King @ Tong Chu King	
Chew Eng Chai	
Tan Chon Sing @ Tan Kim Tieng	
Fang Siew Yee	
Fang Siew Ping	
Liew Kuo Shin	
Khoo Wee Boon	
Mohd Zaki Bin Hamzah	
Sun Yi-Ling	(appointed on 16 November 2009)
Fong Chiew Hean	(resigned on 16 November 2009)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 19 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

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Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.20 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Direct interest				
Dato' Mohd Nor Bin Abdul Wahid	10,878,000	-	(2,025,800)	8,852,200
Foong Chiew Fatt	16,030,960	-	-	16,030,960
Fong Chiew Hean	16,570,960	-	-	16,570,960
Fong Chu King @ Tong Chu King	11,496,680	-	-	11,496,680
Chew Eng Chai	180,000	-	-	180,000
Tan Chon Sing @ Tan Kim Tieng	1,488,000	-	-	1,488,000
Fang Siew Ping	480,000	-	(200,000)	280,000
Liew Kuo Shin	205,000	-	-	205,000
Fang Siew Yee	320,000	-	(320,000)	-
Mohd Zaki Bin Hamzah	1,372,800	-	(872,800)	500,000
Indirect interest:				
Fang Chew Ham *	34,668,002	47,251,998	-	81,920,000

* By virtue of his interest in shares in Fang Chew Ham Holdings Sdn. Bhd. ("FCHH"), Fang Chew Ham is deemed to have interests in shares in the Company to the extent FCHH has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM61,600,003 to RM73,920,003 by way of the issuance of 61,600,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.75 per ordinary share for cash, for additional working capital purposes.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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Other statutory information

(a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent in respect of these financial statements; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

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Other statutory information (contd.)

(f) In the opinion of the directors: (contd.)

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant events and subsequent event

Details of significant events and subsequent event are disclosed in Note 30 and 31 respectively to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 March 2010.

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

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Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Mohd Nor Bin Abdul Wahid and Fang Chew Ham, being two of the directors of Three-A Resources Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 49 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 March 2010.

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Fang Chew Ham, being the director primarily responsible for the financial management of Three-A Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 49 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Fang Chew Ham
at Kuala Lumpur in the Federal
Territory on 16 March 2010.

Fang Chew Ham

Before me,

PESURUHJAYA SUMPAH
No: W 480
R. VASUGI AMMAL,
PJK
MALAYSIA

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Independent auditors' report to the members of
Three-A Resources Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Three-A Resources Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 49.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent auditors' report to the members of Three-A Resources Berhad (contd.) (Incorporated in Malaysia)

Opinion

n our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Low Khung Leong
No. 2697/01/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
16 March 2010

Three-A Resources Berhad
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Balance sheets as at 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	3	70,133,033	67,046,906	1,399	1,867
Prepaid land lease payments	4	11,543,244	11,470,990	-	-
Investments in subsidiaries	5	-	-	20,100,002	20,100,002
Due from a subsidiary	6	-	-	72,735,871	45,967,275
		81,676,277	78,517,896	92,837,272	66,069,144
Current assets					
Inventories	7	27,864,451	20,029,338	-	-
Trade receivables	8	50,603,305	35,097,211	-	-
Other receivables	9	5,070,673	1,060,427	1,160	1,160
Tax recoverable		-	1,090,793	-	-
Cash and bank balances	10	30,189,279	2,674,318	20,424,622	4,715
		113,727,708	59,952,087	20,425,782	5,875
Total assets		195,403,985	138,469,983	113,263,054	66,075,019
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	11	73,920,003	61,600,003	73,920,003	61,600,003
Share premium	12	33,759,152	-	33,759,152	-
Retained earnings	13	28,565,820	18,041,742	1,132,049	4,446,078
Total equity		136,244,975	79,641,745	108,811,204	66,046,081

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Balance sheets as at 31 December 2009 (contd.)

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Non-current liabilities					
Borrowings	14	14,565,844	17,660,591	-	-
Deferred tax liabilities	15	7,941,600	6,131,219	-	-
		22,507,444	23,791,810	-	-
Current liabilities					
Borrowings	14	18,459,808	27,857,992	-	-
Trade payables	16	5,299,092	2,124,630	-	-
Other payables	17	11,970,172	5,053,806	4,451,850	26,938
Provision for taxation		922,494	-	-	-
		36,651,566	35,036,428	4,451,850	26,938
Total liabilities		59,159,010	58,828,238	4,451,850	26,938
Total equity and liabilities		195,403,985	138,469,983	113,263,054	66,075,019

The accompanying notes form an integral part of the financial statements.

Three-A Resources Berhad
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Income statements
For the year ended 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
Revenue	18	178,581,740	152,251,574	4,435,200	-
Cost of sales		(135,058,342)	(121,640,875)	-	-
Gross profit		43,523,398	30,610,699	4,435,200	-
Other income		248,868	48,325	20,022	-
Administrative expenses		(12,617,436)	(11,390,418)	(256,051)	(932,454)
Other expenses		(4,993,071)	(3,782,913)	-	-
Profit/(loss) from operations	19	26,161,759	15,485,693	4,199,171	(932,454)
Finance costs	21	(2,455,006)	(2,796,431)	-	-
Profit/(loss) before taxation		23,706,753	12,689,262	4,199,171	(932,454)
Taxation	22	(5,667,475)	(554,374)	-	-
Net profit/(loss) for the year		18,039,278	12,134,888	4,199,171	(932,454)

Earnings per share attributable to equity holders of the Company (sen):

Basic, for profit for the year	23	5.7	4.8

The accompanying notes form an integral part of the financial statements.

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Statements of changes in equity
For the year ended 31 December 2009

	Note	Share capital RM	Share premium[(1)] RM	Retained earnings[(2)] RM	Total RM
Group					
At 1 January 2008		38,500,002	4,846,960	26,469,895	69,816,857
Issuance of ordinary shares pursuant to bonus issue	11	23,100,001	(4.846,960)	(18,253,041)	-
Dividend paid	24	-	-	(2,310,000)	(2,310,000)
Net profit for the year		-	-	12,134,888	12,134,888
At 31 December 2008		61,600,003	-	18,041,742	79,641,745
At 1 January 2009		61,600,003	-	18,041,742	79,641,745
Issuance of ordinary shares pursuant to private placement	11	12,320,000	33,880,000	-	46,200,000
Transactions costs arising from issuance of ordinary shares		-	(120,848)	-	(120,848)
Dividend paid	24	-	-	(7,515,200)	(7,515,200)
Net profit for the year		-	-	18,039,278	18,039,278
At 31 December 2009		73,920,003	33,759,152	28,565,820	136,244,975

The accompanying notes form an integral part of the financial statements.

Three-A Resources Berhad
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Statements of changes in equity
For the year ended 31 December 2009 (contd.)

	Note	Share capital RM	Share premium[1] RM	Retained earnings[2] RM	Total RM
Company					
At 1 January 2008		38,500,002	4,846,960	25,943,573	69,290,535
Issuance of ordinary shares pursuant to bonus issue	11	23,100,001	(4,846,960)	(18,253,041)	-
Dividend paid	24	-	-	(2,310,000)	(2,310,000)
Net loss for the year		-	-	(932,454)	(932,454)
At 31 December 2008		61,600,003	-	4,448,078	66,048,081
At 1 January 2009		61,600,003	-	4,448,078	66,048,081
Issuance of ordinary shares pursuant to private placement	11	12,320,000	33,880,000	-	46,200,000
Transactions costs arising from issuance of ordinary shares		-	(120,848)	-	(120,848)
Dividend paid	24	-	-	(7,515,200)	(7,515,200)
Net profit for the year		-	-	4,199,171	4,199,171
At 31 December 2009		73,920,003	33,759,152	1,132,049	108,811,204

Note:
(1) Non-distributable
(2) Distributable

The accompanying notes form an integral part of the financial statements.

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Cash flow statements
For the year ended 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash flows from operating activities					
Profit/(loss) before taxation		23,706.753	12,689,262	4,199,171	(932,454)
Adjustments for:					
Amortisation of leasehold land		257,746	155,412	-	-
Depreciation of property, plant and equipment		4,025,668	3,512,337	468	468
Provision for doubtful debts		61,580	-	-	-
Doubtful debts recovered		(38,490)	-	-	-
Bad debts written off		-	4,967	-	-
Unrealised foreign exchange gain		(189,495)	(569,876)	-	-
Interest expense		2,114,395	2,530,090	-	-
Interest income		(34,371)	(22,084)	(20,022)	-
Gain on disposal of property, plant and equipment		-	(50,675)	-	-
Operating profit/(loss) before working capital changes		29,903,786	18,249,433	4,179,617	(931,986)
Working capital changes:					
Inventories		(7,835,113)	837,803	-	-
Receivables		(19,349,935)	(2,669,025)	-	-
Payables		8,926,614	(784,880)	4,424,912	3,150
Subsidiary		-	-	(26,768,596)	3,238,788
Cash generated from/(used in) operations		11,645,352	15,633,331	(18,164,067)	2,309,952
Interest paid		(2,028,094)	(2,292,889)	-	-
Income tax paid		(1,843,807)	(1,548,065)	-	-
Net cash generated from/ (used in) operating activities		7,773,451	11,792,377	(18,164,067)	2,309,952

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Cash flow statements
For the year ended 31 December 2009 (contd.)

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from investing activities					
Investment in a subsidiary company		-	-	-	(2)
Proceeds from disposal of property, plant and equipment		-	100,000	-	-
Purchase of property, plant and equipment	(a)	(4,851,170)	(14,172,653)	-	-
Prepayment of land lease	4	(330,000)	(1,900,000)	-	-
Interest received		34,371	22,084	20,022	-
Net cash (used in)/generated from investing activities		(5,146,799)	(15,950,569)	20,022	(2)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		46,200,000	-	46,200,000	-
Expenses incurred on issuance of ordinary shares		(120,848)	-	(120,848)	-
Dividends paid	24	(7,515,200)	(2,310,000)	(7,515,200)	(2,310,000)
Repayment of bankers acceptances		(8,903,889)	(4,936,620)	-	-
Drawdown of term loans		-	10,697,213	-	-
Repayments of term loans		(2,211,198)	(2,286,509)	-	-
Payments of hire purchase obligations		(1,648,315)	(650,675)	-	-
Net cash generated from/ (used in) financing activities		25,800,550	513,409	38,563,952	(2,310,000)
Net increase/(decrease) in cash and cash equivalents		28,427,202	(3,644,783)	20,419,907	(50)
Cash and cash equivalents at beginning of year		1,309,196	4,953,979	4,715	4,765
Cash and cash equivalents at end of year (Note 10)		29,736,398	1,309,196	20,424,622	4,715

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Cash flow statements
For the year ended 31 December 2009 (contd.)

Note to cash flow statement

(a) Acquisitions of property, plant and equipment during the current financial year were financed by:

	Group	
	2009	**2008**
	RM	**RM**
Cash	4,851,170	14.172,653
Hire purchase	1,182,712	1,424,186
Credit purchase (Note 17)	1,077,913	1,579,315
	7.111,795	17,176,154

The accompanying notes form an integral part of the financial statements.

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Notes to the financial statements - 31 December 2009

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities. The registered office and the principal place of business of the Group and of the Company is located at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 5. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 March 2010.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

These financial statements have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(b) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(b) Property, plant and equipment, and depreciation (contd.)

Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Factory and office buildings	2%
Plant and machinery	5%
Tools and implements	10%
Furniture and fittings and equipment	10%
Renovations and electrical installations	10%
Motor vehicles	10%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(c) Leases (contd.)

(ii) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(b).

(iii) Operating leases

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(d) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(e) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(f) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(g) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(g) Income tax (contd.)

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(h) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(i) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(j) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period.

(k) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, and gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(k) Financial instruments (contd.)

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2.3 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Company:

FRSs, Amendments to FRSs and Interpretations

Effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments

2. Significant accounting policies (contd.)

2.3 Standards and Interpretations issued but not yet effective (contd.)

FRSs, Amendments to FRSs and Interpretations (contd.)

Effective for financial periods beginning on or after 1 January 2010

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Improvement to FRSs	Improvements to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i – 3	Presentation of Financial Statements of Islamic Financial Institutions

2. Significant accounting policies (contd.)

2.3 Standards and Interpretations issued but not yet effective (contd.)

FRSs, Amendments to FRSs and Interpretations (contd.)

Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

(a) FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

2. Significant accounting policies (contd.)

2.3 Standards and Interpretations issued but not yet effective (contd.)

(a) FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended) (contd.)

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

(b) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

(c) FRS 123: Borrowing Cost

This Standard supersedes FRS 123_{2004}: Borrowing Costs that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The Group's current accounting policy is to expense the borrowing costs in the period which they are incurred. In accordance with the transitional provisions of the Standard, the Group will apply the change in accounting policy prospectively for which the commencement date for capitalisation of borrowing cost on qualifying assets is on or after the financial period 1 January 2010.

2. Significant accounting policies (contd.)

2.3 Standards and Interpretations issued but not yet effective (contd.)

(d) FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

2.4 Significant accounting judgements and estimates

In the process of preparing these financial statements:

(i) there were no significant judgements made in applying the accounting policies of the Group and the Company which may have significant effects on the amounts recognised in the financial statements; and

(ii) there were no significant estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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3. Property, plant and equipment

Group	Factory and office buildings RM	Plant and machinery, tools and implements RM	Furniture and fittings and equipment RM	Renovations and electrical installations RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2008	20,651,136	43,849,056	2,028,944	1,299,053	3,477,933	422,868	71,728,990
Additions	3,745,380	11,787,057	180,878	18,653	1,424,186	20,000	17,176,154
Disposal	-	-	-	-	(401,979)	-	(401,979)
Reclassification	70,000	-	-	-	-	(70,000)	-
At 31 December 2008/ At 1 January 2009	24,466,516	55,636,113	2,209,822	1,317,706	4,500,140	372,868	88,503,165
Additions	569,245	2,405,170	639,011	23,458	1,182,712	2,292,199	7,111,795
At 31 December 2009	25,035,761	58,041,283	2,848,833	1,341,164	5,682,852	2,665,067	95,614,960
Accumulated depreciation							
At 1 January 2008	2,372,954	12,555,530	1,098,261	801,565	1,468,266	-	18,296,576
Charge for the year	436,818	2,431,242	191,076	107,535	345,666	-	3,512,337
Disposal	-	-	-	-	(352,654)	-	(352,654)
At 31 December 2008/ At 1 January 2009	2,809,772	14,986,772	1,289,337	909,100	1,461,278	-	21,456,259
Charge for the year	500,720	2,797,097	226,512	86,938	414,401	-	4,025,668
At 31 December 2009	3,310,492	17,783,869	1,515,849	996,038	1,875,679	-	25,481,927
Net carrying amount							
At 31 December 2009	21,725,269	40,257,414	1,332,984	345,126	3,807,173	2,665,067	70,133,033
At 31 December 2008	21,656,744	40,649,341	920,485	408,606	3,038,862	372,868	67,046,906

3. Property, plant and equipment (contd.)

	Furniture and fittings	
	2009	2008
	RM	RM
Company		
Cost		
At 1 January/31 December	4,675	4,675
Accumulated depreciation		
At 1 January	2,808	2,340
Charge for the year	468	468
At 31 December	3,276	2,808
Net carrying amount		
At 31 December	1,399	1,867

(a) All property, plant and equipment of a subsidiary are charged as securities for borrowing facilities (Note 14) obtained by a subsidiary.

(b) The carrying value of motor vehicles held under hire purchase contracts as at balance sheet date was RM3,477,387 (2008: RM2,631,570). Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities.

4. Prepaid land lease payments

	Group	
	2009	2008
	RM	RM
At 1 January	11,470,990	9,726,402
Additions (Note 30)	330,000	1,900,000
Amortisation for the year (Note 19)	(257,746)	(155,412)
At 31 December	11,543,244	11,470,990
Analysed as:		
Long term leasehold land	8,181,210	9,195,407
Short term leasehold land	3,362,034	2,275,583
	11,543,244	11,470,990
Remaining lease years:		
- Long term leasehold land	32 - 93	33 - 94
- Short term leasehold land	20 - 37	21 - 38

Prepaid land lease payments with an aggregate carrying value of RM11,315,577 (2008: RM11,470,990) are pledged as securities for borrowing facilities of a subsidiary (Note 14).

5. Investments in subsidiaries

	Company 2009 RM	Company 2008 RM
Unquoted investments	20,100,002	20,100,002

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held 2009	Equity interest held 2008	Principal activities
San Soon Seng Food Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and selling of food and beverage ingredients
Three-A Plantation (Pahang) Sdn. Bhd.	Malaysia	100%	100%	Dormant

All subsidiaries are audited by Ernst & Young, Malaysia.

6. Due from a subsidiary

The amount due from a subsidiary is interest-free, unsecured and is not receivable within the next twelve months.

7. Inventories

	Group 2009 RM	Group 2008 RM
At cost:		
Finished goods	2,323,315	3,600,107
Work-in-progress	2,193,559	2,415,124
Raw materials	22,897,200	13,489,944
Packing materials	450,377	524,163
	27,864,451	20,029,338

The cost of inventories recognised as an expense during the financial year amounted to RM127,715,886 (2008: RM113,166,941) which is recognised in cost of sales.

8. Trade receivables

	Group	
	2009	2008
	RM	RM
Trade receivables		
- third parties	51,162,405	35,640,746
- related party	114,165	106,640
	51,276,570	35,747,386
Less: Provision for doubtful debts	(673,265)	(650,175)
Trade receivables, net	50,603,305	35,097,211

Movements in the provision for doubtful debts are as follows:

At 1 January	650,175	650,175
Provision during the year	61,580	-
Writeback of provision	(38,490)	-
At 31 December	673,265	650,175

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The Group's normal trade credit term ranges from 30 to 150 days (2008: 30 to 150 days). Other credit terms are assessed and approved on a case-by-case basis. The Group has internal mechanisms to monitor the granting of credit and management of credit exposures. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk noted at balance sheet date.

(b) Amount due from a related party

Related party's debt is due from Seong Chan Sauce & Foodstuff Sdn. Bhd., a company in which certain directors have financial interests. Further details on related party transactions are disclosed in Note 25.

9. Other receivables

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Sundry receivables	91,552	193,511	1,160	1,160
Deposits	518,525	237,313	-	-
Prepayments	165,379	138,492	-	-
Advance payment to suppliers	4,295,217	491,111	-	-
	5,070,673	1,060,427	1,160	1,160

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9. Other receivables (contd.)

There is no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Included in the deposits are amounts of RM370,790 which are deposits for land purchases as detailed in Notes 30 (c), 30 (d) and 31.

10. Cash and cash equivalents

Cash at a bank earns interest at floating rates based on daily deposit rates ranging from 1% to 1.8% (2008: 1% to 3.7%) per annum.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	30,189,279	2,674,318	20,424,622	4,715
Bank overdrafts (Note 14)	(452,881)	(1,365,122)	-	-
	29,736,398	1,309,196	20,424,622	4,715

11. Share capital

	Group/Company			
	2009		2008	
	Number of Shares	Amount RM	Number of Shares	Amount RM
Authorised				
At 1 January	500,000,000	100,000,000	250,000,000	50,000,000
Created during the year	-	-	250,000,000	50,000,000
At 31 December	500,000,000	100,000,000	500,000,000	100,000,000
Issued and fully paid up				
Ordinary share of RM0.20 each				
At 1 January	308,000,019	61,600,003	192,500,012	38,500,002
Issued on 17 June 2008 from share premium account	-	-	24,234,801	4,846,960
Issued on 17 June 2008 from retained earnings account	-	-	91,265,206	18,253,041
Issued on 11 November 2009 for cash	61,600,000	12,320,000	-	-
At 31 December	369,600,019	73,920,003	308,000,019	61,600,003

11. Share capital (contd.)

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM61,600,003 to RM73,920,003 by way of the issuance of 61,600,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.75 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

12. Share premium

	Group/Company 2009 RM	2008 RM
At 1 January	-	4,846,960
Add: Premium arising from issuing of 61,600,000 new ordinary shares at RM0.75	33,880,000	-
Less: Capitalisation for issuance of bonus issue of shares	-	(4,846,960)
Less: Transaction costs arising from issuance of shares	(120,848)	-
At 31 December	33,759,152	-

13. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2009 and 2008, the Company has the following Section 108 balance and tax exempt income account balance for the purpose of dividend payment:

	2009 RM	2008 RM
Section 108 tax credit balance	3,558,099	5,036,499
Tax exempt income account balance	17,860,000	17,860,000

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14. Borrowings

	Group 2009 RM	Group 2008 RM
Long term borrowings		
Secured:		
Term loans	13,838,846	16,566,802
Hire purchase payables	726,998	1,093,789
	14,565,844	17,660,591
Short term borrowings		
Secured:		
Bank overdrafts (Note 10)	452,881	1,365,122
Bankers acceptances	14,776,869	23,680,758
Term loans	2,715,436	2,198,678
Hire purchase payables	514,622	613,434
	18,459,808	27,857,992

	Effective interest rate 2009 / 2008 %	Maturity	Group 2009 RM	Group 2008 RM
Total borrowings				
Bank overdrafts	7.75	On demand	452,881	1,365,122
Bankers acceptances	2.23 - 4.73	90 - 180 days	14,776,869	23,680,758
Term loans	6.71 - 8.44	2009 - 2019	16,554,282	18,765,480
Hire purchase payables	4.28 - 7.51	2009 - 2013	1,241,620	1,707,223
			33,025,652	45,518,583

	Group 2009 RM	Group 2008 RM
Maturity of borrowings:		
Within one year	18,459,808	27,857,992
More than 1 year and less than 2 years	3,304,497	3,127,315
More than 2 years and less than 5 years	8,784,052	9,231,169
More than 5 years	2,477,295	5,302,107
	33,025,652	45,518,583

14. Borrowings (contd.)

The bank borrowings are secured by the following:

(a) fixed charges over the prepaid lease payments (Note 4) and factory and office buildings of a subsidiary (Note 3);

(b) debentures incorporating fixed and floating charges over all assets and undertakings of a subsidiary, both present and future;

(c) negative pledge on two adjoining pieces of leasehold land; and

(d) a corporate guarantee by the Company.

Details on the hire purchase payables are as follows:

	Group 2009 RM	2008 RM
Future minimum lease payments:		
Not later than 1 year	574,579	700,748
Later than 1 year and not later than 2 years	435,515	508,723
Later than 2 years and not later than 5 years	334,405	676,624
Total future minimum lease payments	1,344,499	1,886,095
Less: Future finance charges	(102,879)	(178,872)
Present value of finance lease liabilities	1,241,620	1,707,223
Analysis of present value of finance lease liabilities:		
Not later than 1 year	514,622	613,434
Later than 1 year and not later than 2 years	404,425	456,295
Later than 2 years and not later than 5 years	322,573	637,494
	1,241,620	1,707,223
Less: Amount due within 12 months	(514,622)	(613,434)
Amount due after 12 months	726,998	1,093,789

15. Deferred tax

	Group 2009 RM	2008 RM
At 1 January	6,131,219	6,164,990
Recognised in the income statement (Note 22)	1,810,381	(33,771)
At 31 December	7,941,600	6,131,219

15. Deferred tax (contd.)

	Group 2009 RM	2008 RM
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	8,034,916	7,069,130
Deferred tax assets	(93,316)	(937,911)
	7,941,600	6,131,219

The components and movements of the Group's deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities

	Accelerated capital allowances RM	Unrealised foreign exchange RM	Total RM
At 1 January 2008	6,334,036	-	6,334,036
Recognised in the income statement	600,721	134,373	735,094
At 31 December 2008	6,934,757	134,373	7,069,130
Recognised in the income statement	918,332	47,454	965,786
At 31 December 2009	7,853,089	181,827	8,034,916

Deferred tax assets

	Unutilised reinvestment allowances RM	Provisions RM	Total RM
At 1 January 2008	-	(169,046)	(169,046)
Recognised in the income statement	(775,367)	6,502	(768,865)
At 31 December 2008	(775,367)	(162,544)	(937,911)
Recognised in the income statement	775,367	69,228	844,595
At 31 December 2009	-	(93,316)	(93,316)

16. Trade payables

The normal trade credit term granted to the Group ranges from 30 to 60 days (2008: 30 to 60 days).

17. Other payables

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Sundry payables	1,980,384	2,388,601	-	-
Accruals	9,989,788	2,665,205	4,451,850	26,938
	11,970,172	5,053,806	4,451,850	26,938

Included in sundry payables and accruals of the Group are amounts of RM1,077,913 (2008: RM1,579,315) due to contractors for the construction of plant and machinery.

18. Revenue

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Sales of goods	178,581,740	152,251,574	-	-
Dividend income from a subsidiary	-	-	4,435,200	-
	178,581,740	152,251,574	4,435,200	-

19. Profit/(loss) from operations

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Profit/(loss) from operations is stated after charging/(crediting):				
Staff costs (Note 20)	11,050,976	9,515,420	40,000	35,000
Depreciation of property, plant and equipment (Note 3)	4,025,668	3,512,337	468	468
Amortisation of prepaid land lease payments (Note 4)	257,746	155,412	-	-

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19. Profit/(loss) from operations (contd.)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Profit/(loss) from operations is stated after charging/(crediting): (contd.)				
Non-executive directors' remuneration	85,000	85,000	85,000	85,000
Auditors' remuneration	42,000	40,000	12,000	10,000
Expenses incurred on transfer of listing from MESDAQ market to the main board of Bursa Malaysia	-	536,441	-	536,441
Rent of premises	175,200	176,400	-	-
Lease of motor vehicles	25,331	22,776	-	-
Provision for doubtful debts	61,580	-	-	-
Doubtful debts recovered	(38,490)	-	-	
Bad debts written off	-	4,967	-	-
Realised exchange loss	13,781	604,397	-	-
Unrealised foreign exchange gain	(189,495)	(569,876)	-	-
Interest income	(34,371)	(22,084)	(20,022)	-
Gain on disposal of property, plant and equipment	-	(50,675)	-	-

Analysis of directors' remuneration:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Executive directors' remuneration:				
Other emoluments	1,878,080	1,616,300	40,000	35,000
Non-executive directors' remuneration:				
Other emoluments	85,000	85,000	85,000	85,000
Total directors' remuneration (Note 25)	1,963,080	1,701,300	125,000	120,000

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19. Profit/(loss) from operations (contd.)

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Executive (Note 20):				
Salaries and other emoluments	1,175,776	925,948	40,000	35,000
Bonus	508,000	508,000	-	-
Defined contribution plan	194,304	182,352	-	-
	1,878,080	1,616,300	40,000	35,000
Non-Executive:				
Other emoluments	85,000	85,000	85,000	85,000
	1,963,080	1,701,300	125,000	120,000

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2009	2008
Executive directors:		
Below RM50,000	4	3
RM50,001 - RM100,000	-	1
RM250,001 - RM300,000	-	1
RM300,001 - RM350,000	1	-
RM450,001 - RM500,000	-	1
RM550,001 - RM600,000	1	-
RM800,001 - RM850,000	-	1
RM850,001 - RM900,000	1	-
Non-executive directors:		
Below RM50,000	5	5

20. Staff costs

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Wages and salaries	9,954,463	8,639,439	40,000	35,000
Social security costs	52,805	45,712	-	-
Pension costs - defined contribution plan	742,981	632,585	-	-
Other staff related expenses	300,727	197,684	-	-
	11,050,976	9,515,420	40,000	35,000

20. Staff costs (contd.)

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,878,080 (2008: RM1,616.300) and RM40.000 (2008: RM35,000) respectively as further disclosed in Note 19.

21. Finance costs

	Group	
	2009	2008
	RM	RM
Interest expense on:		
Term loans	1,267.244	963,259
Bankers acceptance	684 308	1,400,882
Bank overdrafts	69.282	59,391
Hire purchase financing	93.561	106,558
	2,114,395	2,530,090
Bank charges	340,611	266,341
	2,455,006	2,796,431

22. Taxation

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Malaysian income tax:				
Tax expense for the year	3,885,136	712,506	-	-
Overprovision in prior years	(28,042)	(124,361)	-	-
	3,857,094	588,145	-	-
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	2,089,292	709,745	-	(607)
Relating to changes in tax rates	(234,092)	(245,249)	-	-
(Over)/underprovision in prior years	(44,819)	(498,267)	-	607
	1,810,381	(33,771)	-	-
	5,667,475	554,374	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 December 2009 has reflected these changes.

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22. Taxation (contd.)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Profit/(loss) before taxation	23,706,753	12,689,262	4,199,171	(932,454)
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	5,926,688	3,299,208	1,049,793	(242,438)
Effects of changes in tax rates on opening balances of deferred tax	(234,092)	(217,928)	-	-
Deferred tax recognised at different tax rates	-	(27,321)	-	-
Income not subject to tax	-	-	(1,108,800)	-
Expenses not deductible for tax purposes	491,278	383,773	59,007	47,063
Utilisation of previously unrecognised unutilised reinvestment allowance	-	(436,687)	-	-
Utilisation of current year's reinvestment allowance	(443,538)	(1,212,428)	-	-
Deferred tax assets recognised on reinvestment allowance	-	(806,383)	-	-
Deferred tax asset not recognised in respect of current year's tax losses	-	194,768	-	194,768
(Over)/underprovision of deferred tax in prior year	(44,819)	(498,267)	-	607
Overprovision of income tax expense in prior year	(28,042)	(124,361)	-	-
Tax expense for the year	5,667,475	554,374	-	-

	Group 2009 RM	Group 2008 RM
Unutilised reinvestment allowance carried forward	-	4,948,470

23. Earnings per share

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group 2009	Group 2008
Net profit for the year (RM)	18,039,278	12,134,888
Weighted average number of ordinary shares in issue	316,269,608	255,154,812
Basic earnings per share (sen)	5.7	4.8

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

24. Dividends

	Dividend in respect of year		Dividend recognised in year	
	2009 RM	2008 RM	2009 RM	2008 RM
Recognised during the year				
Interim dividend:				
- 1.2 sen tax exempt on 192,500,012 ordinary shares	-	2,310,000	-	2,310,000
- 1 sen tax exempt on 308,000,019 ordinary shares	-	3,080,000	3,080,000	-
Declared and paid subsequent to year end				
Interim dividend:				
- 1.6 sen at 25% tax on 369,600,019 ordinary shares	4,435,200	-	4,435,200	-
	4,435,200	5,390,000	7,515,200	2,310,000

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25. Significant related party transactions

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company entered into the following transactions with related parties during the financial year:

			Outstanding balances	
	2009 RM	2008 RM	2009 RM	2008 RM
Group				
Sales to Seong Chan Sauce & Foodstuff Sdn. Bhd.	(620,515)	(782,671)	(114,165)	(106,640)
Rent payable to Excellent Chemical Industrial Sdn. Bhd.	168,000	168,000	730	1,460
Company				
(Advances to)/repayment by a subsidiary	(26,768,596)	3,238,788	(72,735,871)	(45,967,275)

Seong Chan Sauce & Foodstuff Sdn. Bhd. and Excellent Chemical Industrial Sdn. Bhd. are companies in which Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King, who are directors of the Company, have financial interests. Dato' Mohd Nor Bin Abdul Wahid is a director and has financial interests in Excellent Chemical Industrial Sdn. Bhd.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from unrelated parties.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Salaries and other emoluments	1,708,216	1,350,544	125,000	120,000
Bonus	684,000	684,000	-	-
Defined contribution plan	268,272	252,000	-	-
	2,660,488	2,286,544	125,000	120,000
Directors' remuneration (Note 19)	1,963,080	1,701,300	125,000	120,000

26. Operating lease commitment

The Group has entered into a non-cancellable operating lease on its warehouse. This lease has remaining non-cancellable lease term of 1 to 6 years. The future minimum lease payments under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liability are as follows:

	Group	
	2009	2008
	RM	RM
Future minimum rental payments:		
Not later than 1 year	24,000	96,000
Later than 1 year and not later than 5 years	120,000	120,000
Later than 5 years	-	24,000
	144,000	240,000

27. Commitments

	Group	
	2009	2008
	RM	RM
Capital expenditure		
Approved and contracted for:		
Leasehold land	3,379,104	297,000
Property, plant and equipment	3,691,060	-
	7,070,164	297,000

28. Contingent liabilities - unsecured

	Company	
	2009	2008
	RM	RM
Guarantees to licensed financial institutions in respect of credit facilities granted to a subsidiary company	31,784,032	43,811,360

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29. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

(b) Interest rate risk

The Group's exposure to market risk for changes in the interest rate environment principally relates to its financing obligations. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group ensures that it obtains borrowings at favourable interest rates.

Information relating to the Group's interest rates is disclosed in the Note 14.

(c) Foreign currency risk

The Company is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investments are located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional currency of the Group is Ringgit Malaysia	United States Dollar RM	Singapore Dollar RM	Total RM
At 31 December 2009			
Receivables	13,012,018	1,708,544	14,720,562
Payables	(126,503)	-	(126,503)
At 31 December 2008			
Receivables	8,025,889	1,491,400	9,517,289
Payables	(304,644)	(7,990)	(312,634)

29. Financial Instruments (contd.)

(d) Liquidity risk

The Group actively manages its cash and cash equivalents, operating cash flows and the availability of funding so as to ensure that there is adequate working capital and that repayment and funding needs are met.

(e) Credit risk

Credit risk is the risk that counter parties will be unable to meet their obligations resulting in financial loss to the Group.

It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that the goods sold are to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The trade receivables represent the Group's maximum exposure to credit risk in the event the counter parties fail to perform their obligations. There was no significant concentration of credit risk to the Group as at year end.

(f) Fair values

It is not practical to estimate the fair value of amount due from a subsidiary principally due to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received or settled.

The fair values of all other financial assets and liabilities of the Group and of the Company as at 31 December 2009 are not materially different from their carrying values.

30. Significant events

(a) On 5 October 2009, the Company announced the proposal for a private placement from OSK Investment Bank Berhad to undertake a private placement of up to 20% of the issued and paid-up share capital of the Company. Upon approval from the shareholders on 3 November 2009, the Company increased its issued and paid-up ordinary share capital from RM61,600,003 to RM73,920,003 by way of the issuance of 61,600,000 ordinary shares of RM0.20 each at an issue price of RM0.75 per ordinary share for cash. The private placement was completed on 12 November 2009.

(b) On 9 October 2009, a subsidiary entered into a Sale and Purchase Agreement ("SPA") to acquire a parcel of leasehold land held under HS(M) 9078, PT No. 669, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan comprising an area of approximately 708.9 sq metres together with a building for a total cash consideration of RM330,000. The SPA was completed on 1 December 2009.

30. Significant events (contd.)

(c) On 9 October 2009, the Company entered into a Sale and Purchase Agreement ("SPA") to acquire a parcel of leasehold land held under HS(M) 9107, PT No. 27686, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan comprising an area of approximately 5,606 sq metres together with a building for a total cash consideration of RM2,400,000. The SPA has not been completed as of date of the report.

(d) On 10 December 2009, the Company entered into a SPA to acquire a parcel of leasehold land held under HS(M) 9111, PT No. 27687, Tempat BT 14, Jalan Kuala Selangor, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan comprising an area of approximately 3,928 sq metres for a total cash consideration of RM887,894. The SPA has not been completed as of date of the report.

31. Subsequent event

On 11 January 2010, the Company entered into a SPA to acquire a parcel of leasehold land held under PN 67417 for Lot No. 2306, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan comprising an area of approximately 700 sq metres for a total cash consideration of RM420,000. The SPA has not been completed as of date of the report.

32. Segment Information

The Group's activities are predominantly in the manufacturing industry segment.

The Group's geographical segments are based on geographical location of its customers. The foreign customers are predominantly based in Hong Kong, China, South Korea, Singapore, Indonesia, Philippines, Australia and United States of America.

The following table presents revenue regarding the Group's geographical segment:

	Group	
	2009	**2008**
	RM	**RM**
Malaysia	122,070,530	102,996,506
Foreign countries	56,511,210	49,255,068
	178,581,740	152,251,574

The Group's assets and liabilities are solely located in Malaysia.